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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000529

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SUBJECT: VICE PRESIDENT-ELECT VINCENT SIEW ON U.S.-TAIWAN
ECONOMIC RELATIONS

Classified By: AIT Deputy Director Robert S. Wang, Reason 1.4 (b/d)

¶1. (C) Summary: Taiwan Vice President-elect Vincent Siew told the Director on April 15 that the future KMT administration will focus on improving economic ties not only with China, but also with the U.S., Japan and ASEAN countries in order to boost Taiwan's economy. Strengthening U.S.-Taiwan bilateral economic relations, Siew emphasized, will be an important focus of his work and one of the Ma administration's top priorities. Siew added that as a free trader and someone who had overseen Taiwan economic policies years ago, he supports improving current bilateral frameworks and agreements, such as the TIFA and CCA, but also stressed the intent to pursue a U.S.-Taiwan FTA in the future. Siew agreed that opening up Taiwan's beef and pork markets would be a positive sign of Taipei's commitment to free trade, but explained that until May 20, the Chen government has full authority to act on its own and the KMT would not "weigh in" on the issue. End Summary.

¶2. (C) The Director met with Taiwan Vice President-elect Vincent Siew (Wan-chang) on April 15 to discuss his recent attendance at the Boao Forum in Hainan, China (reported septel) and U.S.-Taiwan economic issues. Siew, who President-elect Ma Ying-jeou has stated will be the administration's chief architect on economic policy, said after May 20 the KMT will focus on improving economic ties not only with China, but also with the U.S., Japan and ASEAN countries in order to boost Taiwan's economy. Strengthening U.S.-Taiwan bilateral economic relations, Siew emphasized, will be an important focus of his work and one of the top priorities. The Director welcomed Siew's commitment, noting that moving ahead on TIFA and the Consultative Committee on Agriculture (CCA) and addressing the question of U.S. beef and pork exports to Taiwan are important for advancing the bilateral economic relationship.

FTA: Strengthening the Bilateral Relationship

¶3. (C) Siew said that as a "free trader" and someone familiar with the TIFA process from his previous economic positions, he agreed that working through and improving upon current bilateral frameworks and agreements would be an important first step for the Ma administration. Siew said the KMT would likely review the government's economic policy

and seek ways to integrate or repackage existing agreements to send a strong signal to the business community that Taiwan is committed to strengthening the bilateral relationship. Siew hopes that if Taipei improves relations with Beijing, an important potential obstacle to working on a Free Trade Agreement with the U.S. would be removed.

14. (C) The Director responded that although a U.S.-Taiwan FTA would not be off the table, Washington urges Taipei to first move quickly with existing TIFA and CCA talks, which are scheduled to take place in July. These bilateral frameworks provide Taiwan and the U.S. with a platform to address existing economic and trade concerns and to make further progress. Siew stated that although the Ma administration would utilize existing mechanisms to enhance the economic relationship, nevertheless he hoped they would be "building blocks" laying the foundation for future discussions on an FTA. Siew expressed concerns that with a pending U.S.-South Korea FTA and greater integration among Pacific countries, Taiwan cannot afford to be left out of growing regional integration.

Declines Beef Deal with DPP

15. (C) The Director said a good opportunity for Taipei to show its commitment to opening markets and promoting free trade was moving quickly on the question of U.S. beef and pork exports to Taiwan. Siew agreed, but told the Director that the KMT, having been "manipulated" by President Chen in the past, had little confidence the DPP would not take advantage of a KMT pledge to support moving on beef before May 20 in order to play politics. Having discussed the issue

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already with President-elect Ma, Siew argued that the Chen government has full authority to act on its own and should approve the opening if all health and safety issues have been adequately addressed.

16. (C) The Director explained U.S. concerns in trying to reach a solution on these issues as soon as possible, and expressed regret that the KMT would not act on Chen's request for a signal of "non-objection" to the DPP "caretaker" government. If not resolved, the Director added, both the beef and pork issues will figure prominently on our agenda with the Ma Administration after May 20. Siew emphasized that he personally agreed with opening markets and expanding free trade as these will benefit Taiwan, but he stressed that only when the KMT is in charge after May 20 will it take action on this issue.

YOUNG